



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 8/27/2001

GAIN Report #VM1016

Vietnam

Grain and Feed

August Rice Update

2001

Approved by:

Henry Schmick

U.S. Embassy

Prepared by:

Bui Thi Huong/Truong Minh Dao

Report Highlights: Recently, Government inspectors discovered that only 2/3rds of the rice stockpile (target level was 1 million metric tons) actually existed. Even with the 'missing' rice (which was probably sold and exported rather than being stockpiled), declining supplies from the Summer-Autumn crop and a big export surge in July, August have lead to higher domestic prices and massive port congestion as ships wait to load rice.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Hanoi [VM1], VM

TABLE OF CONTENTS

PRODUCTION	Page 2 of 5
The Summer-Autumn (S-A) rice crop is being harvested in the South.	Page 2 of 5
2001/02 Lua Mua (10 th Month) crop.	Page 2 of 5
PRICE.	Page 2 of 5
Prices in MRD	Page 2 of 5
Export price.	Page 2 of 5
STOCK	Page 3 of 5
Government Inspectors - Where did the Buffer Stock Go?	Page 3 of 5
TRADE	Page 3 of 5
Vietnam rice exports in July 2001.	Page 3 of 5
Table 1: Estimated Vietnam's Rice Export in July 2001	Page 3 of 5
In August, rice exporters face even tighter rice supplies.	Page 4 of 5
Some rice exporters may encounter trading losses.	Page 4 of 5
Vietnam's rice customers are moving to Thailand?	Page 4 of 5
POLICY	Page 4 of 5
GOV keen to develop high quality rice.	Page 4 of 5
Vietnam-Iraq Joint-Venture on Rice Processing.	Page 5 of 5

PRODUCTION

The Summer-Autumn (S-A) rice crop is being harvested in the South.

Farmers in the Mekong River Delta (MRD) and other Southern provinces are harvesting 2001's S-A rice crop. According to a Ministry of Agricultural and Rural Development (MARD) report, the total S-A rice planted area in the South was 1,981 thousand hectares (Tha) of which 1,696 Tha were in the Mekong River Delta (MRD). The MRD S-A rice area was lower by about 140 Tha compared with last crop's since some rice land was transferred to other crops or aquaculture..

As of August 15, 2001, 1,016 Tha of S-A crop were harvested in the MRD. Some local officials estimated this year's crop yield is lower by 0.1 MT/ha compared with last year's yield. The slightly lower yields came as farmers decreased their investments (lower input use).

2001/02 Lua Mua (10th Month) crop.

As of August 15, farmers in the North have planted 1,590 Tha of the long-season Lua Mua crop. Roughly, 519 Tha of the Lua Mua crop, already planted, are in the Red River Delta. That crop is reportedly growing well. Farmers in the South are also planting the Lua Mua crop. There is 340 Tha planted in the South of which 110 Tha are in the MRD.

At this time, as the S-A rice crop is being harvested and the Lua Mua crop is being planted, Post is not recommending any changes to the PS&D rice production table. As more concrete harvest and planted area estimates become available, Post will review the PS&D data.

PRICE. Exchange rate: VND 15,050 equal to \$1.00

Prices in MRD.

Due to tight supplies, prices of both paddy and ready-to-export rice have increased sharply in the Mekong River Delta. The price of Summer-Autumn paddy is up to VND 1,420 - 1,580 / kg while price of Winter-Spring paddy increased to VND 1,680-1,700/kg. Generally, the quality of the W-S crop is better than the S-A crop, hence the slightly higher price. Traders predict that the domestic rice price (currently Vietnam's export price is above Thailand's) will not decrease until September.

Export price.

The Vietnamese export prices continued to be in high levels in August. On August 17, price offers were 5% broken at \$183, 15% broken at \$170, and 25% broken at \$158/MT, a large increase of \$15-\$17 / MT compared with prices quoted at the end of July. Vietnam's export price is not expected to increase any further, because rice importers and traders are looking for (and finding) cheaper rice in other countries.

Given constraints on raising the export price (and the outstanding contracts signed at relatively low prices in May and June), domestic traders and middlemen are finding very difficult to obtain rice from the mills and farmers in the Mekong River Delta. Farmers are holding their stocks hoping for an even higher price, and, it appears, stocks and production might be lower than previously estimated. By early-September, when the outstanding sales (especially those to the Philippines, Iraq and Cuba) are completed, domestic and export prices are forecast to move lower.

Actually, Export prices start reducing by end of August. August 27's prices were quoted for 5% broken

at \$179, 15% at \$167 and 25% broken at \$156 / MT, a reduction of about \$2-3/MT from last week's prices.

STOCK

Government Inspectors - Where did the Buffer Stock Go? In March, based on very low domestic prices and large stocks, the Government of Vietnam (GOV) set-up a one million metric ton buffer stock. The buffer stock was to be held by assigned State-owned enterprises (SOE) at the federal and provincial level. When the export price improved in May, the GOV allowed rice exporters to use the buffer stocks for exports, but the SOEs were supposed to replenish the buffer stocks by purchasing new crop rice. However, due to concerns about price fluctuations, some of the SOEs have not replenished the buffer stock.

Following some concerns regarding export availability (and the actual size of the buffer stocks), the GOV assigned MARD and Ministry of Trade (MoT) to inspect the implementation of the buffer stock program. Following an inspection trip in July, a report was released noting that only 660 thousand metric tons of rice had been purchased by the assigned state-owned food companies (many rice mills and SOE exporters). The SOEs were supposed to buy 1 MMT of rice with interest-free loans, but given the short-fall in procurement, some officials are discussing about the effectiveness of the program. Currently, it is very unclear what the size of the buffer stock actually is. According to some traders, as of August 1, the buffer stocks are only about 400 TMT.

Exporters are finding it difficult to obtain rice at a price they can use to fill the outstanding contracts. As the exporters are only able to find small lots, many vessels are currently waiting in Saigon Port, and some shippers have negotiated longer delivery periods.

TRADE

Vietnam rice exports in July 2001.

In July, 2001, Vietnam exported about 406 TMT of rice, destined mainly to Africa, Philippines, Iraq, Indonesia Cuba and Russia (See table 1 for details).

Table 1: Estimated Vietnam's Rice Export in July 2001 by Destinations (Unit: MT)

Destinations	5%	10%	15%	25%	100% br.	Unknown	Total
Africa	35,500		21,526	27,124	27,525		111,675
Philippines	17,100		4,500	52,228			73,828
Iraq	57,110						57,110
Cuba	50			36,403			36,453
Indonesia	4,700	8,600	8,900	10,400			32,600
Russia & CIS Countries	9,655	8,065	4,000				21,720
Poland	1,000	6,550	7,450	6,000			21,000
Malaysia	5,120			7,051			12,171
North Korea		5,500					5,500
Middle East	4,350						4,350

Singapore			3,500				3,500
Palau	1,200		500				1,700
Hong Kong	500						500
Australia	40						40
Unknown			5,710	4,000		16,000	25,710
Total	136,325	28,715	56,086	143,206	27,525	16,000	407,857

In August, rice exporters face even tighter rice supplies.

MoT reported that, as of August 15, 2001 rice exporters had contracted to export 3.3 million metric ton of which nearly 2.3 MMT was shipped in the first 7 months of 2001. A shortage of drying facilities prevent rice exporters from purchasing newly harvested S-A rice. Vietnam's rice exporters are concentrating on filling previously signed contracts, and Vietnam's export price will probably have to come down further before many new contracts are signed.

Some rice exporters may encounter trading losses.

The sharp increase in local paddy prices shocked many traders (including the SOEs). Therefore some traders (more than the normal number) may face trading losses this year, especially those signing contracts for July and August shipment.

Vietnam's rice customers are moving to Thailand?

Rice traders said that some of Vietnam's rice customers are buying from Thailand and Myanmar (Burma) due to Vietnam's high prices and delays in shipment. Some rice traders doubt that Vietnam can reach the 4 MMT target for CY-2001; those traders predict Vietnam's CY-2001 rice exports will be 3.5-3.8 MMT. But MARD and MoT are still confident that the 4 MMT target is reachable. At this time, Post retains our previous forecast at 4 MMT.

POLICY

GOV keen to develop high quality rice.

Realizing that the low-quality of Vietnam's rice (and the perception of low-quality) is restricting Vietnam's prices, the GOV is keen to improve the quality of exported rice. Over the next several years, the GOV hopes to sponsor large and small projects that will cause one million metric tons of high-quality rice to be grown in the Mekong River Delta. Farmers will be encouraged to use pure high-quality seed from selected varieties, such as IR 64, OM 1490, MTL 250, VND 95-20, Khao Dawk Mali 150 and Jasmine 85, to have a uniform high quality paddy rice. Processors are encouraged to pay a higher price for paddy from those varieties and to take extra care in the processing, so higher-quality rice can be exported. In theory, the higher-quality rice will be identify preserved from the normal rice, and would yield a higher export price.

One example project was announced in early August by MARD, Vinafood 2 and a private-sector company -- Tan Hung Import-Export Ltd. Their project is to grow 90 Tha of high quality rice for export. Tan Hung Ltd also revealed that they are working with the Southern Institute of Agricultural Technology and Science to grow 60 Tha of IR 64 rice. Farmers in the project area will be provided with seed, and advice on farming and post-harvest handling. It is worth noting that this is project is being developed with the cooperation of the GOV (MARD), a SOE (Vinafood 2), and a private sector

company (Tan Hung). Such cooperation has not been seen in the recent past.

Vietnam-Iraq Joint-Venture on Rice Processing.

On August 14, Vietnam's Food Company No.1 (Vinafood 1) and Iraq's Grain Board announced an agreement to establish a rice processing joint venture (JV) company. The JV's total investment capital is \$12 million -- Iraq's share is \$6.6 and Vietnam's is \$5.4 million. According to the JV's announcement, a high quality rice processing mill with annual capacity of 200 TMT of rice will be built in Can Tho province, and all the processed rice will be for export. The two parties will work on the project details and submit it to Ministry of Planning and Investment to get a JV license. These JV project is claimed to be the largest foreign investment in the rice sector in Vietnam. The JV is proposed to last for 50 years.